

China & the WTO . . . Major rail merger proposal . . .
Global meat trade . . . U.S. farm policy through history

**China's WTO Accession:
Gains for U.S. Ag Exports & Income**

China's participation in the World Trade Organization would result in significant gains in U.S. agricultural exports and farm income, based on recently completed analysis by USDA's Economic Research Service. U.S. exports of grains, oilseeds and related products, and cotton would potentially be \$1.6 billion above USDA projected Baseline levels in 2005. Additional gains would result from significantly greater market access for other products, such as poultry, pork, beef, citrus, other fruits, vegetables, tree nuts, and forest and fish products. U.S. net farm income would be \$1.7 billion higher than Baseline projections in 2005.

Railroads' Urge to Merge

A proposed railroad merger between Burlington Northern Santa Fe and Canadian National would create North America's largest railroad, stretching 50,000 miles from Nova Scotia to Los Angeles, and from the Gulf of Mexico to British Columbia. The proposed merger, announced in December 1999, is primarily an "end-to-end" combination, which is less likely than a parallel combination to weaken competition. The two firms will seek approval from the U.S. and Canadian governments over the next year, asserting benefits stemming from their ability to replace intercompany interchange of freight cars with more efficient intracompany transfer of cars at interchange points. For agriculture, the implications of the merger include its potential to affect the relative trade advantages of U.S. and Canadian producers.

**World Meat Trade:
The Shape of Things to Come**

Forces driving the growth in world meat trade since the mid-1980's are still at work in shaping trade patterns. Since 1985, global meat trade has advanced because of significant reductions in trade barriers, notably the relaxation of barriers by Japan and South Korea, regional trade agreements among the countries of North America (NAFTA) and South America



(MERCOSUR), and the opening of new markets for poultry in Russia and China.

Diversity among trade partners in preferences for particular meat products is also a factor that can enhance trade. U.S. consumers, for example, favor chicken breasts over dark meat, while in China and Mexico, dark meat is more valued. Further relaxation of trade barriers and progress in controlling animal diseases will allow expansion of intra-industry trade—with countries importing and exporting different cuts of meat from the same animal species—and will allow countries to exploit relative cost advantages.

**Hog Producers
Look to Higher Returns**

U.S. hog producers are benefiting from the combination of a declining hog inventory that is reducing pork production and raising prices, and a booming economy fueling demand for meat products. Hog prices rallied in second-half 1999, while feed costs remained relatively low, boosting producers' returns. Continuing breeding-herd reductions since late 1998 ensure higher hog prices, lower pork production in 2000, and a rise in producers' returns if feed costs continue low. Retail prices are expected up 4-6 percent in 2000.

200 Years of U.S. Farm Policy

Since the founding of the national government, farmers have been supported by a series of markedly different policy approaches. In general, Federal farm policies have been rooted in attempts to ensure opportunities for individuals and families to make a living at farming. In the earliest period, Federal land policy offered the opportunity to become a farmer with minimal investment. Succeeding periods brought new policy approaches intended to help farmers improve their incomes in the face of burgeoning production and fluctuating prices. Current challenges facing policymakers—e.g., continuing structural change, complexities of global trade, and new environmental goals—will require creativity in crafting farm policy for the future.

**Premium Discounts Boost
Crop, Revenue Insurance Coverage**

Sparked by \$400 million in premium discounts for "buy-up" coverage as part of emergency assistance legislation, farmers' participation in crop insurance increased in 1999. Total insured acres reached 196 million, up about 8 percent from 1998, and acres insured at buy-up levels—above minimum catastrophic coverage (CAT)—increased by 19 percent. The discounts—applicable to any federally supported crop yield or revenue insurance plan—dropped producers' after-subsidy premium costs for buy-up coverage about 30 percent, on average, across all buy-up levels. Higher levels of buy-up participation are expected to continue in 2000, with Federal agriculture appropriations for FY2000 providing funds for premium discounts.

**Cutbacks Ahead for
Processing Tomato Acreage**

The record-high 1999 processing tomato harvest prompted processors to sharply increase domestic stocks of tomato-based products and will likely lead to a cutback in contract tonnage and output in 2000. Early estimates indicate a possible decline of 10-20 percent in planted acreage from a year ago, and early contract prices are about 9 percent below last year's average.